

The Democratic Standard.

DEVOTED TO THE SUPPORT OF THE CONSTITUTION AND LAWS—THE DIFFUSION OF GENERAL INTELLIGENCE—AND THE REFORM OF ALL POLITICAL ABUSES.

BY D. P. PALMER.

GEORGETOWN, O., TUESDAY MARCH 26, 1844.

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From the Ohio Statesman.

S. MURPHY, Esq.:

Will you please insert, in the columns of the Ohio Statesman, the following letter.

Yours, very respectfully,
T. W. BARTLEY.

Feb. 26th, 1844.

SENATE CHAMBER,

February 26, 1844.

His Excellency, Wilson Shannon:

DEAR SIR:—It is with feelings of astonishment and regret, that I have read your letter of the 15th instant, addressed to Dr. John Dunham, editor of the St. Clairsville Gazette, on the vexed question of banks and the currency. Entertaining for you, personally, as I always have, and do now, no other sentiments than those of kindness and high consideration, I would be one of the last persons to take exception to any thing which might be necessary for you to say in defence of yourself, against any personal charge or accusation. But your letter is not confined to an exculpation of yourself. You have deemed it proper with the weight of your opinion and your official influence, to assail, indirectly at least, not only the position assumed by the democratic party of this State, on the currency question, at the State Convention recently held in Columbus, but also the legislative acts of the democratic majority in the Legislature at the two sessions preceding the present, as well as the acts of a majority of the present General Assembly. I conceive it due to the democratic party in the Legislature, with whom I have acted; due to myself, on account of the part which I have taken on the currency question; and due to the democratic party of this State, that some of the remarks contained in your letter should not be permitted to pass uncontroverted. What I say, will be dictated by the spirit of frankness and fairness, and under the influence of no other motive than a high regard for the public welfare, and the deep interest which I take in a subject of great public importance to the people of Ohio. And I address you in this public manner, for the purpose of giving you an occasion for making a further exposition of your views, should you conceive that I have in any respect misapprehended the import and effect of your letter.

In the forepart of your letter, you use the following expression, which is undoubtedly correct:—"The whole democratic party took the ground of Bank Reform, while our opponents either justified, or to some extent, palliated the conduct of the banks, and maintained that the system itself required but little if any amendment. This was the issue between the two parties in the contest of 1838, and in every subsequent one, including that of 1842." In the opinion here expressed, I fully concur. While the democratic party, on the one side, were contending for a reform by which to correct the abuses and evils of the banking system, under which the people were severely suffering, our political opponents, on the other side, met us at every step, contested every inch of ground, and resisted us at all points. The strength of the two conflicting parties was very nearly balanced. At the session of 1840-'41, the whig party had an overwhelming majority in the House of Representatives. At the two succeeding sessions the democratic majority was a very narrow one; and at the present session the whig party have again a majority in the House of Representatives. The fearful difficulties and obstacles created and thrown in our way by the organized and determined resistance of our political opponents, almost, and at some times, entirely equal to us in our political strength in the Legislature, were vastly augmented by a diversity of sentiment among the democratic members of the Legislature, as to the details of the measure proposed, and the peculiar remedies calculated to correct the various abuses of the banking system. It is an easy matter to find fault and point out real or imaginary imperfections in the details of a measure; and few do, any, very few

can, fully appreciate the perplexing and fearful responsibility assumed by those who attempt to propose a measure upon a subject so complex in all its bearings, and so difficult of comprehension in all the minutia of its practical operation, as that of banks and the currency. Under these circumstances, when beset by difficulties on all hands which seemed to be almost insurmountable, the democratic party in the Legislature, true to the paramount interests of the people, and true to what they believed to be the principles and sentiments of the democracy of the country, proposed and adopted a measure containing the terms, safeguards, and liabilities for the future management of the banking system in Ohio. The measure became a law at the session of 1841-'42. At the succeeding session it was claimed that the law was too rigid and strict in some of its details; and an amendatory act was consequently passed, removing the objections by which it was then alleged the law was rendered impracticable; and a few of the prominent persons connected with the companies which had been making application to the Legislature for the privilege of engaging in the business of banking, on the terms of the old system, were authorized to organize and commence the business under the present law. Our political opponents, in order to bring this law into disrepute, and to utterly prostrate the principles of the democratic party on the currency question, have insisted that the bank question in Ohio was still an open one—have proclaimed the existing law to be impracticable; and by holding out promises of a more liberal and profitable system to bankers, have so far succeeded in preventing them from engaging in the business on the terms provided by the law. The question had been narrowed down to the simple issue, whether the provision of the existing law, containing the prominent principles of the democratic party on the currency question, should be maintained and successfully carried into operation, or whether our political opponents should triumph by the adoption of their nefarious and irresponsible system of banking, which would be liable to be used by them in all time to come as a political engine.

It was perfectly clear that nothing but undaunted firmness and unyielding integrity of principle could sustain the democratic party on this great and exciting issue. Under these circumstances, who, but yourself, should have gone foremost into battle, inculcating firmness, and infusing confidence into the ranks of the democracy, in order to secure the people of the State from the flagrant abuses, outrageous frauds, and political corruption of an irresponsible system of banking? But, humiliating to say, instead of so doing, you have, with all the prominence which the democratic party have given you, placed yourself before the people of the State in a public exposé, endorsing and reiterating the stale and refuted charge of our opponents, that the existing law to regulate banking is impracticable, and proclaiming that the bank question in Ohio, so far as the democratic party is concerned, is an open and unsettled question.

The democratic party in the State Convention, which assembled in Columbus on the 8th of January last, in an address carefully prepared for the occasion, most distinctly and definitely defined the principles of the democracy of Ohio on the most important political topics now agitated in this country. In this address, the following language is used:

"The democracy, after years of unintermitted labor and contest, with the approbation and support of the people have triumphed. Reforms have been introduced into the banking system, of the highest importance, which have received the confirmation of the public voice. The popular will has sanctioned them. The people will have been executed, and they appear for the time being to be satisfied; and it is believed that, for the present, further action upon the subject does not seem to be required by the business interests of the State, nor demanded by the people. Whether any further legislative reforms in the banking system, and if any, of what character, shall hereafter be acceptable for the protection and security of the community, we leave to the future decision of the people themselves. For the present, we believe that a strict adherence to, and rigid enforcement of, the legislative provisions already made, and sanctioned by the people, will be more conducive to the happiness, prosperity and enterprise of the several interests of the State and the people, than a further immediate agitation of this all-pervading, all-absorbing, and vexed question."

A few days before the Convention, this address, as you will very well recollect, was carefully read over in the hearing of you and myself in company with a number of other gentlemen, for the purpose of ascertaining whether, in our opinion, there were any sentiments con-

tained in it not in strict accordance with the views of the democratic party. That part of the address which related to the currency and the banks, including the above quotation, was read more than once, and your opinion at the time particularly solicited in regard to it. And it will be borne in recollection by you, that you then not only acquiesced in, but also distinctly gave your sanction to the views contained in the address as it was adopted. You were also a delegate in the Convention, and took an active part in its proceedings, and there in due form aided in the adoption of this address. Immediately after the Convention, in a speech delivered at a public table, you were understood publicly to pledge yourself that you would abide by, and maintain the proceedings and views of the Convention in the approaching political campaign.

Under these circumstances, it must appear most extraordinary, even to your most devoted personal and political friends, and after the lapse of only five weeks from the time of the Convention you should publicly stand on the position on the currency question which you had deliberately sanctioned, and which by your concurrence and approval as a delegate in the Convention you had contributed to induce the democratic party to assume. If, at the time of the Convention, you held the views which you express in your letter, it was certainly due to the democratic party, as well as to yourself, that you should in frankness and candor have expressed your dissent from the doctrine laid down in the address, and at least proposed an alteration of it.

The issue between the two political parties on the bank question has been most explicitly defined, and placed beyond the reach of cavil or controversy. It has seemed to me unnecessary even to notice and repel the unfounded assertions of our political opponents, made for mere political effect, that the democratic party were in favor of bank destruction and an exclusive metallic currency. The issue on the currency question is clearly and emphatically between an unsafe and irresponsible system of banking, susceptible of being used as a political engine on the one side, and a system on the other side, subject to those safeguards, liabilities, and restrictions which the lights of experience have taught us were necessary to secure the community against the flagrant abuses, frauds and corruption heretofore practiced by banking institutions. This is the true issue between the two parties on the currency question in Ohio. The democratic party have taken their position by legal enactment placed upon the statute book, and have sustained it by the popular voice at two several elections. Also, at the State Convention, recently held in Columbus, this position on the currency question received the signet of approbation of the entire democracy of the State by a distinct expression, and a pledge to abide by, and maintain it to the letter. It seems to me, therefore, that no democratic need fear the bungling clamor of our political opponents that we are in favor of bank destruction.

Your opinion, that the existing law to regulate banking is impracticable, is founded upon the facts, as you state them "that it is claimed by capitalists that it is not practicable;" and also, that, as yet, "no banks have gone into operation under the law." The declarations of capitalists on a subject of this kind, as I humbly conceive, ought not to be taken as very conclusive, inasmuch as they are made with motives of self-interest. The testimony of an interested witness is not to be heard in the investigation of truth. You will recollect that when the bank re-emption law was passed two years ago capitalists pronounced it impracticable, and asseverated most emphatically, that it would break up every bank in the State. Our political opponents in the Legislature undertook to prove the measure to be impracticable; and gravely asserted that it would drive a large amount of capital out of the State, and cripple our financial operations in Ohio for years to come. But the Democratic party was not to be driven from their ground by the interested clamor of capitalists, or the idle declamation of our political opponents. We then stood firm and met the crisis; and when the time arrived, the banks resumed specie payment. It is a notorious fact, that when the safety-found law was enacted in the State of New York, capitalists pronounced it bank destruction, and insisted that it would break down the banking institutions of that State. But when the time came for its operation, the banks accepted its provisions, and the law finally became even a favorite system among capitalists. The individual liability of stockholders in banking was claimed to be wholly impracticable by capitalists; but now we find banking institutions, in an application made to the present Legislature, by a bill reported by Mr. Fuller, a whig member

of the Senate, on behalf of the Banks of Sandusky and Norwalk, positively agreeing to accept the individual liability principle as prescribed in the existing law. And thus it is with capitalists. Whenever it is proposed to impose any new safeguards and responsibilities upon banks for the protection of community against their abuses, the new regulations are uniformly resisted, as impracticable and ruinous, until their operation becomes inevitable.

The inducements which have deterred capitalists from engaging in business under the law, during the short period since its enactment, I apprehend to be not very difficult of comprehension. The prospects of more liberal and profitable terms and terms by which the banks would be enabled to wield a political power and influence in the affairs of the State, have been held out to them as an object of no inconsiderable importance. The banks have determined to make another struggle for political power before they yield to the majesty of the people. Also, it was well known during the past season, that if any persons had attempted to commence the business of banking under the existing law, they would have done it under the force and exterminating warfare of the whig party of this State, with all its party organs. Under these circumstances it is not surprising to me that none of the companies authorized under the law have commenced business. When capitalists find, however, that the people are true to their integrity, and can neither be bought nor driven from the safeguards and liabilities of the present law, they will accept its terms and go into business under it.

In endorsing the charge which has been made, that the present law is impracticable, it seems to me that it was due to yourself and due to the democratic party, that you should have specified the provisions by which it is rendered impracticable. With your acknowledged superior ability and your extensive researches and long continued investigation of the bank question, you certainly can comprehend the effect of every provision in the law, and determine satisfactory whether any part of it be impracticable or not. Why not specify the provisions which are thought to be impracticable? Why found your opinion barely upon the interested clamor which capitalists have uniformly raised whenever an attempt has been made to correct their abuses by salutary safeguards? The practicability of this law has been under discussion in the Senate during the present winter. Our political opponents, who make the charge of impracticability, were called upon to sustain it by reference to the provisions of the law, but in a most singular manner they fail to respond to the call by sustaining the charge. Allow me, sir, here to say, with all due deference for your opinion, (and I have always entertained a high respect for it,) that I defy you or any experienced practical banker to come before the people of Ohio, in a public communication, and sustain the charge of impracticability by proving any specific provisions in the law to be impracticable. Upon a full understanding of the subject, I solemnly believe that every provision will be found to be just, reasonable, and practicable, and that there is not a restriction in this law, which is not necessary as a check upon abuses, which past experience has shown us to require correction.

You charge, the capitalists claim that they cannot make six per cent. interest on capital invested in banking under this law. Whether this claim be well founded or not cannot be ascertained to a demonstration by reference to the privileges allowed. Under this law, a bank is authorized to issue for circulation its own paper to the amount equal to its capital paid up; is authorized to extend its loans and discounts, to an amount equal to twice the amount of the capital; is authorized to receive deposits without limitation, and is authorized to deal in bills of exchange, and sell checks and drafts. In the exercise of these powers in a prudent and economical manner, it can be demonstrated with certainty that more than six per cent. per annum can be realized, after paying the tax and all reasonable expenses. For illustration, suppose a bank to be commenced under this law, with a capital of one hundred thousand dollars paid in. The bank can, from the beginning, lend out one hundred thousand dollars of its paper and sixty-six thousand dollars of its capital, the remaining thirty-three thousand of its capital, being the specie fund of one dollar for every three dollars of paper issued. The interest of six per cent. upon this one hundred and sixty-six thousand dollars loaned, would be just ten per cent. upon the capital invested. But, inasmuch as the bank is authorized to take the interest in advance, and thus to realize a compound interest, the profit would be considerably more. Besides this, whenever the deposits of the bank will justify it, the loans and discounts can be increased to two hundred thousand dollars, or twice

the amount of the capital paid up, which would yield, without taking the interest in advance, just twelve per cent. upon the capital invested. And besides all this the bank can realize a very considerable amount, by dealing in bills of exchange, and selling checks and drafts. It may be safely estimated, that by the interest upon the loans taken in advance, and by the profits on dealing in exchange and all the business, a gross profit, of at least twelve per cent., can be realized. The tax imposed is one half per cent. upon the capital, which would amount to \$500. Under the prudent management which they would be compelled to observe, the losses could not exceed an average of one per cent. on the capital, which would amount to \$1000. The expenses of the banking houses, bank officers, &c., ought not to exceed \$2,500, making in all, for the entire expenses and losses, four thousand dollars, which would be four per cent. upon the capital. This would leave eight per cent., net profit, for the dividend to stockholders. This calculation does not include many of the sources of profit and convenience to the stockholders which the bank would afford, and it makes all fair and reasonable allowances for expenses and losses, for an institution of this extent of capital.

What greater advantages, for the purpose of making profits, could capitalists demand, than these? The most experienced bankers in the State do not pretend to ask the privilege of issuing a circulation, or of extending their loans and discounts, beyond the limit established by this law. It is true, there are many men claiming to be capitalists, who will not engage in banking under the present, or any other law, which will prevent them, as money borrowers instead of money lenders, from converting a bank into a mere machine for manufacturing the means of loaning money to themselves, to pamper their own inordinate appetite for speculation, basing their banking operations upon mere stock sales, eight drafts on the Atlantic cities, or some other kind of fictitious credit.

You inquire, very significantly, in your letter, "Why not give to the objections made to this law a careful consideration, and if found valid, remove them?" This, sir, certainly has been done. The objections have received all due consideration at the hands of the democratic party in the Legislature. At the last session the objections made to the law were remedied by an amendatory act, and the objections made at the present session have been shown to be of a futile and fallacious character. If, however, the objections exhibited at the present session had even been valid, the law could not have been amended on account of the fact that our political opponents have a majority in the House of Representatives. When companies commence business under this law, should any of the provisions in the details of the law be found to be unnecessary or improper in practice, they can be removed by amendment.

I humbly conceive that the question is now distinctly presented to the democratic party of Ohio, whether they are to be driven by the denunciations of the opposite political party from safe guards and liabilities for the reputation and control of the banking system, which are just, salutary, and practicable, and imperatively demanded for the public safety. If the people reflect well upon the dangerous and exorbitant powers exercised by an unguarded system of banking, they will not consent to an abandonment of an existing fortress for their security. Banks of issue have the power of converting their promissory notes into the money of the country, and by substituting them for a portion of the gold and silver currency, which is either hoarded by the banks or sent out of the country, they are enabled to receive an interest on their promissory notes instead of paying an interest as does the private citizen. Located as they usually are, at the commercial points, they are enabled to intercept the flow of the gold and silver currency into the State, as well as to collect up the gold and silver already in circulation, and send it out of the State; and by this means to keep in circulation their own paper, and the paper of the banks of the surrounding States, upon which they do business. Alas! and unrestricted system of banking thus acquires an omnipotent sway over the currency, that medium which constitutes the standard by which is measured the value of property. A few individuals by a harmony of interest, and through the subtle operations of credit and bank paper, are enabled to combine their influence and concentrate their energies in controlling the machinery of the system, and thus to contract or expand the currency, to make money abundant or scarce at pleasure. The great interests and prosperity of the country are thus placed in the hands of a few men, and made subject to their caprice, ambition, or cupidity, in the management of an engine, which in the language of Daniel Webster, is "the most effectual means of fertilizing the rich

man's field with the sweat of the poor man's brow."

There is still another reason why a rigid check and safeguard should be placed upon this system in remodeling it, and permitting its existence in a new form. It is an engine of political power, and if unchecked, will, through the blunders and subtle artifice of wealth and credit, ultimately exert a controlling influence over all the departments and ramifications of our Government. Already has the banking system in this country through the subtle operations of an extended fabric of credit, brought wide-spread distress and embarrassment upon the country, blaming it falsely upon the operation of wholesome and salutary laws, the repeal of which it was demanding. Already has it engaged in the nefarious business of subsidizing a portion of the press of the country, corrupting the channels of intelligence, making war upon the administration of the Government, an embarking in the struggles of the country for political power. In view of all that we have witnessed in this country in the operation of the banking system, and with a fresh recollection of the monetary convulsion which have recently, with a desolating influence shaken the country to its centre, is the democratic party to be driven from those salutary safeguards and checks upon the system which are fair, reasonable and practicable, and to be compelled to permit the banks to dictate for themselves the terms on which they shall, in future exercise their exclusive privileges? I have mistaken the spirit of the democracy of the country, if they ever consent to such a humiliating surrender of any portion of their liberties.

It is true, as you say, that since the passage of the original act to regulate banking, thirteen banks have gone out of existence by the expiration of their charters, and two banks since the passage of the amendatory act. These fifteen banks, however, asked for an extension of their privileges, only upon terms similar to those of their original charters, and refused absolutely to submit to the safeguards and reform principles of the democratic party. Besides, these fifteen institutions were unworthy of a renewal of their corporate existence. They had, by a suspension of specie payments, repudiated their debts, violated their plighted faith to the community, as well as in other respects abused their corporate franchise, and trampled upon the laws of the State. They had also scoffed at and ridiculed the law-making power of the State, in the attempts to impose salutary checks upon their abuses. The people of Ohio have experienced no inconvenience whatever from the loss of these fifteen institutions. For years their business had been conducted in such a manner that their accommodations had been chiefly monopolized by a few of the managers and favorites of the institution. And the business of the country has been more prosperous, the currency has been in a sounder and better condition, and the produce of the country has commanded a more ready sale and a higher price since, than at any time during the two years preceding the expiration of the charters of these banks.

Much is said about capital flowing out of our State, and being withdrawn by capitalists. This is certainly an error. Capital within the last year, has been coming into the State, much more rapidly than it has been going out. This is conclusively established by the fact that the price of bills of exchange on the Atlantic cities has been falling, and at this time exchange between this place and the city of New York is actually in our favor—a circumstance which has rarely occurred in times past. The credit of the State, as well as that of our business men has been rising. And within the last year, Ohio stocks have risen in New York from between 70 and 80 per cent. to 105 per cent. These are evidences of recovering prosperity which cannot be delusive.

(Remainder next week.)

Great Britain's entire public expenditure, during the war of 1803-18, including the peace establishment, averaged about four hundred and fifty millions of dollars annually, thus reaching four thousand five hundred millions of dollars in ten years; an amount probably equal to the entire property, real and personal, now owned within the United States. The average wealth in Massachusetts is about \$350 per individual; in Indiana, about \$150—suppose the average between these two States (which may be near the truth), then \$250 is the average for each man, woman, and child, throughout the Union. Multiplied by seventeen millions we have \$4,250,000,000 as the aggregate private property of the United States. Colquhoun states the population of Great Britain and Ireland in 1814, at 17,096,803 persons (p. 66), about the same as that of the United States to pay.—Drm. Review.